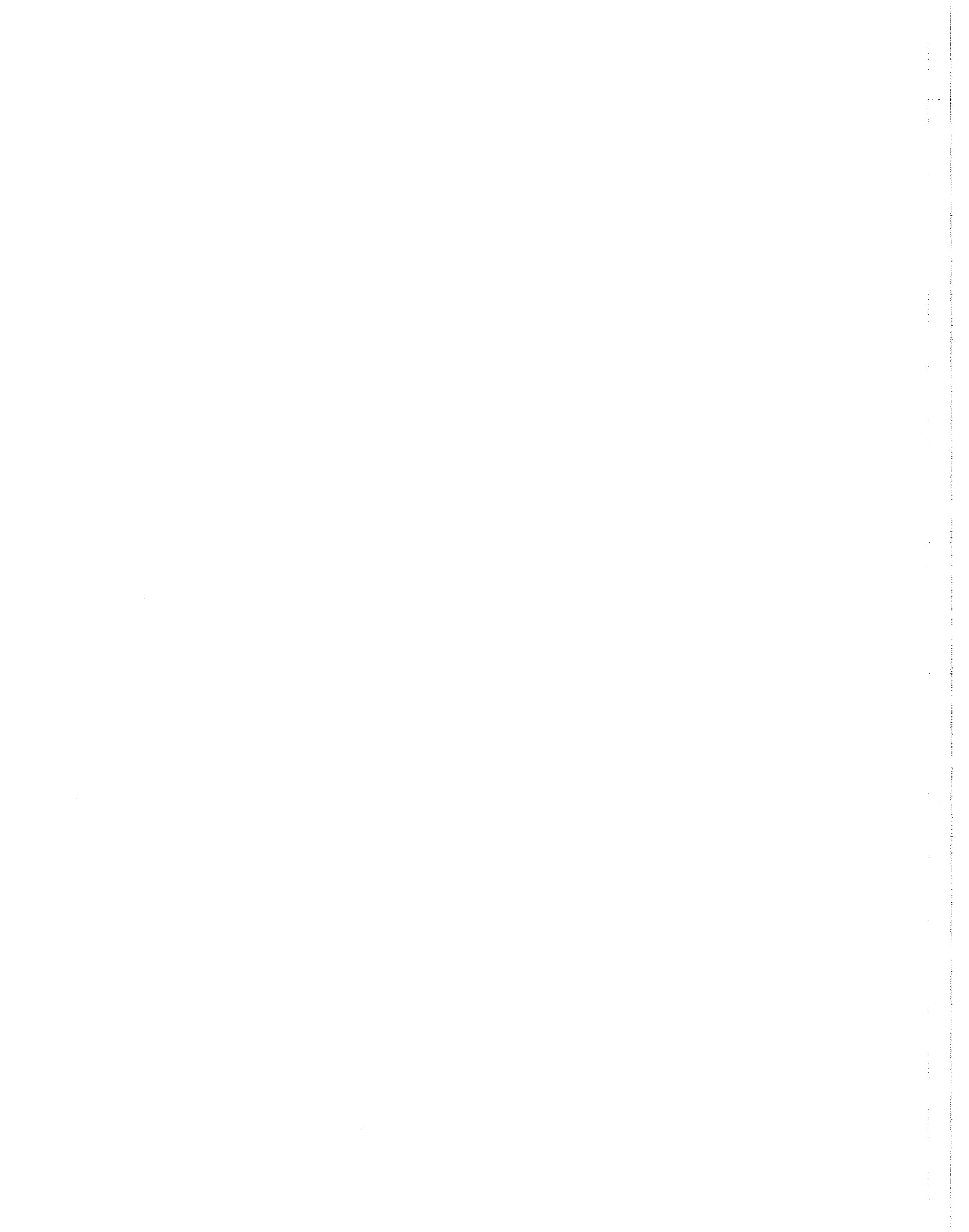


CITY OF BLOOMFIELD, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006



CITY OF BLOOMFIELD, IOWA

TABLE OF CONTENTS
JUNE 30, 2006

	<u>PAGE</u>
<u>OFFICIALS</u>	1
<u>INDEPENDENT AUDITOR'S REPORT</u>	2-3
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	4-8
<u>BASIC FINANCIAL STATEMENTS:</u>	<u>EXHIBIT</u>
GOVERNMENT-WIDE FINANCIAL STATEMENT: STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS	A 9-10
GOVERNMENTAL FUND FINANCIAL STATEMENT: STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES	B 11
PROPRIETARY FUND FINANCIAL STATEMENT: STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES	C 12
FIDUCIARY FUND FINANCIAL STATEMENT: STATEMENT OF CHANGES IN CASH BALANCES	D 13
NOTES TO FINANCIAL STATEMENTS	14-20
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS	21-22
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING	23
<u>OTHER SUPPLEMENTARY INFORMATION:</u>	<u>SCHEDULE</u>
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES – NONMAJOR GOVERNMENTAL FUNDS	1 24-25
SCHEDULE OF INDEBTEDNESS	2 26-27
NOTE MATURITIES	3 28
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION – ALL GOVERNMENTAL FUNDS	4 29
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	30-31
SCHEDULE OF FINDINGS	32-34

CITY OF BLOOMFIELD, IOWA

OFFICIALS
JUNE 30, 2006

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
Sam Eakins	Mayor	January 2006
Donald Smith	Mayor Pro Tem	January 2006
David Thordarson	Council Member	January 2006
Jerry Kincart	Council Member	January 2008
Craig Scott	Council Member	January 2008
Paul Wettstein	Council Member	January 2008
(After January 2006)		
Sam Eakins	Mayor	January 2010
Jerry Kincart	Council Member	January 2008
Craig Scott	Council Member	January 2008
Paul Wettstein	Council Member	January 2008
Jeffrie Anderson	Council Member	January 2010
David Thordarson	Council Member	January 2010
Carol Taylor	Clerk/Treasurer	Indefinite
John Martin	Attorney	Indefinite



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge"

Kenneth E. Crosser, CPA
April D. Hammack, CPA
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bloomfield, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Bloomfield, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bloomfield, Iowa as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2006 on our consideration of the City of Bloomfield, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 21 through 23 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bloomfield, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other

comprehensive basis of accounting. The financial statements for the two years ended June 30, 2004 (which are not presented herein) were audited by other auditors. The other auditors expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
October 24, 2006

CITY OF BLOOMFIELD, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

The City of Bloomfield, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Receipts from the City's governmental activities decreased 17.6%, or \$387,114 from fiscal 2005 to fiscal 2006. Property tax and intergovernmental revenues decreased by \$22,862 and \$393,748, respectively.
- Disbursements of the City's governmental activities increased 44.2% or \$1,200,389, in fiscal 2006 from fiscal 2005. Community and economic development disbursements decreased \$376,151 while capital projects expenditures increased \$1,537,169.
- The City's total cash basis net assets decreased 41.9%, or \$2,058,983, from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities decreased \$90,639 and the assets of the business type activities decreased by \$1,968,344. This decrease is due primarily to the 2005 Street Project which has been financed primarily through transfers from the Electric Fund.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets – Cash Basis. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

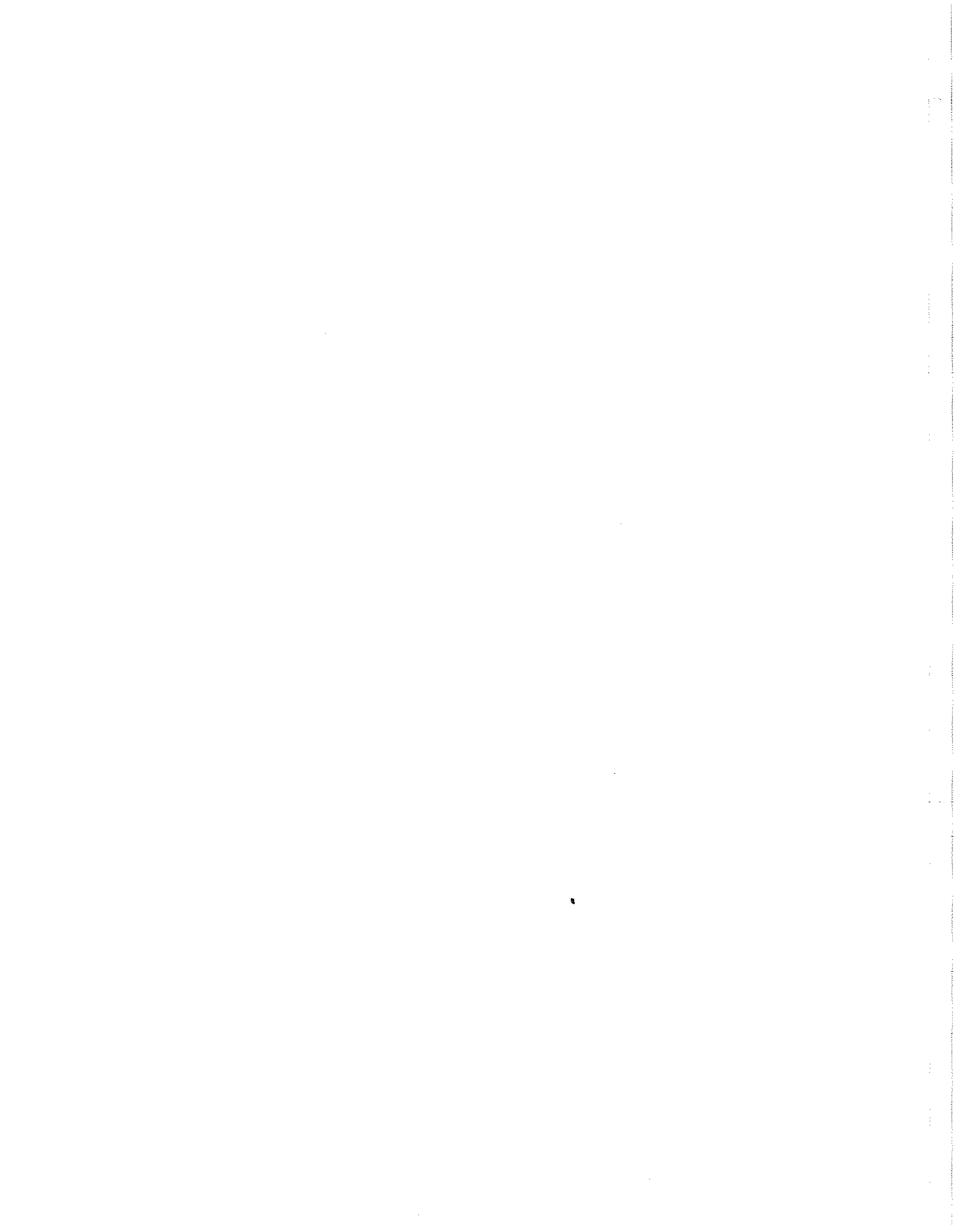
Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.



REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets – Cash Basis reports information that helps answer this question

The Statement of Activities and Net Assets – Cash Basis presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets – Cash Basis is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, sewer, electric and gas funds. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

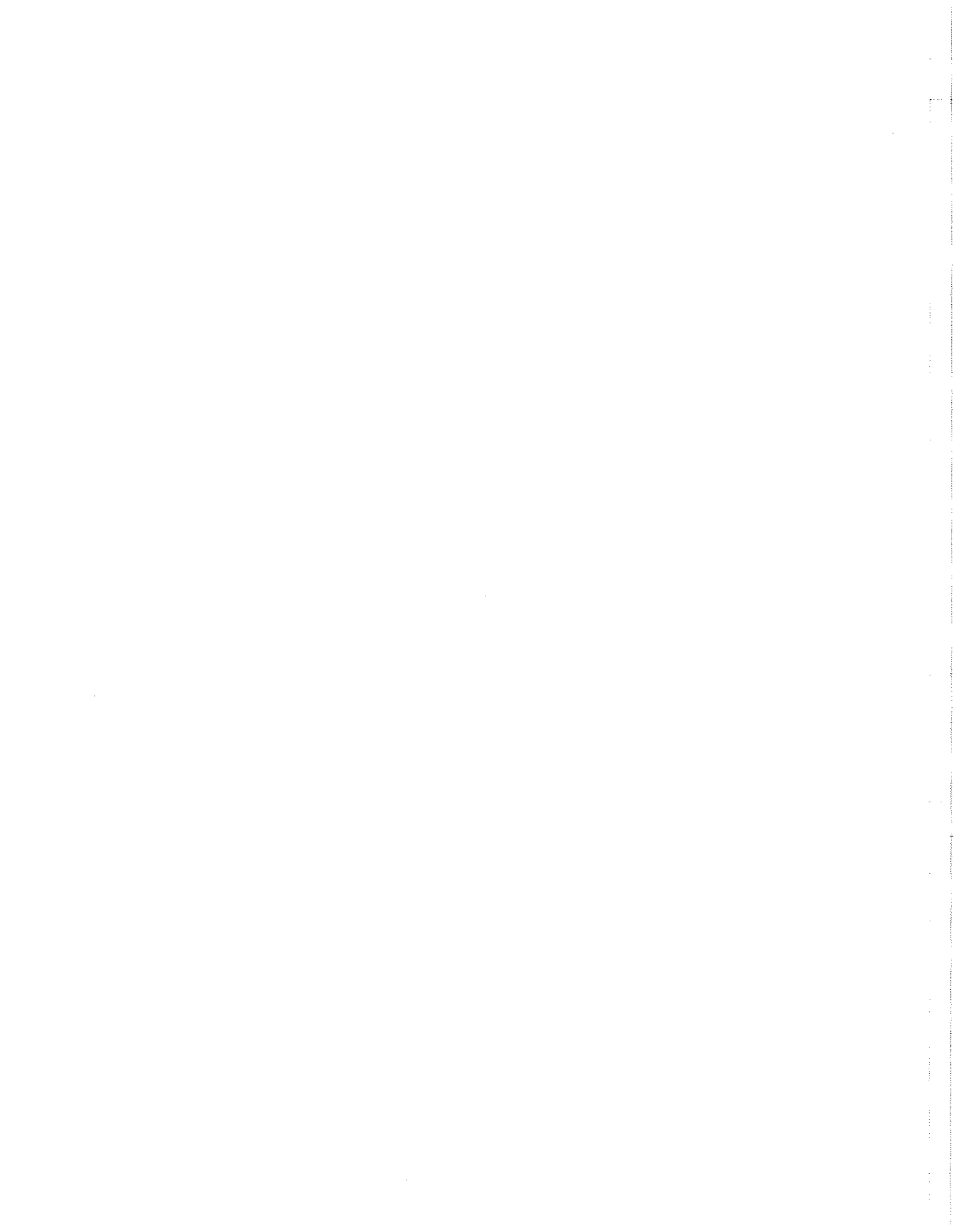
The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, electric and gas funds, all four are considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$783,672 to \$693,033. The analysis that follows focuses on the changes in cash balances for governmental activities.



Changes in Cash Basis Net Assets of Governmental Activities

	Year Ended June 30,	
	<u>2006</u>	<u>2005</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 261,650	\$ 266,904
Operating grants, contributions and restricted interest	254,667	290,821
Capital grants, contributions and restricted interest	198,620	613,561
General receipts:		
Property tax	725,975	772,951
Local option sales tax	207,427	202,659
Grants and contributions not restricted to specific purposes	-	3,212
Other general receipts	164,887	50,232
Transfers, net	<u>2,010,252</u>	<u>415,920</u>
Total receipts and transfers	<u>3,823,478</u>	<u>2,616,260</u>
 Disbursements:		
Public safety	571,870	535,694
Public works	477,861	520,585
Culture and recreation	307,765	262,042
Community and economic development	95,360	471,511
General government	104,437	104,241
Capital projects	<u>2,356,824</u>	<u>819,655</u>
Total disbursements	<u>3,914,117</u>	<u>2,713,728</u>
 Decrease in cash basis net assets	(90,639)	(97,468)
 Cash basis net assets beginning of year	<u>783,672</u>	<u>881,140</u>
 Cash basis net assets end of year	\$ <u>693,033</u>	\$ <u>783,672</u>

The City's total receipts and transfers for governmental activities increased by 46.1% or \$1,207,218. The total cost (disbursements) of all programs and services increased by \$1,200,389, or 44.2%. Excluding transfers, receipts decreased \$387,114 or 17.6% from the prior year. The significant decrease in receipts was primarily the result of proceeds from grants received by the City during the prior year.

The cost of all governmental activities this year was \$3,914,117 compared to \$2,713,728 last year.

Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30,	
	<u>2006</u>	<u>2005</u>
Receipts:		
Program receipts:		
Water	\$ 593,058	\$ 583,125
Sewer	305,435	299,405
Electric	1,969,594	1,981,603
Gas	1,537,766	1,359,723
Capital grants, contributions and restricted interest	18,923	136,882
General receipts:		
Unrestricted interest on investments	91,085	108,474
Other general receipts	<u>107,750</u>	<u>48,053</u>
Total receipts	<u>4,623,611</u>	<u>4,517,265</u>
 Disbursements and transfers:		
Water	760,808	689,254
Sewer	231,050	377,992
Electric	1,689,628	1,558,479
Gas	1,900,217	1,435,825
Transfers	<u>2,010,252</u>	<u>415,920</u>
Total disbursements and transfers	<u>6,591,955</u>	<u>4,477,470</u>
 Increase (decrease) in cash basis net assets	(1,968,344)	39,795
 Cash basis net assets beginning of year	<u>4,131,423</u>	<u>4,091,628</u>
 Cash basis net assets end of year	\$ <u>2,163,079</u>	\$ <u>4,131,423</u>

Total business type activities receipts for the fiscal year were \$4,623,611 compared to \$4,517,265 last year.

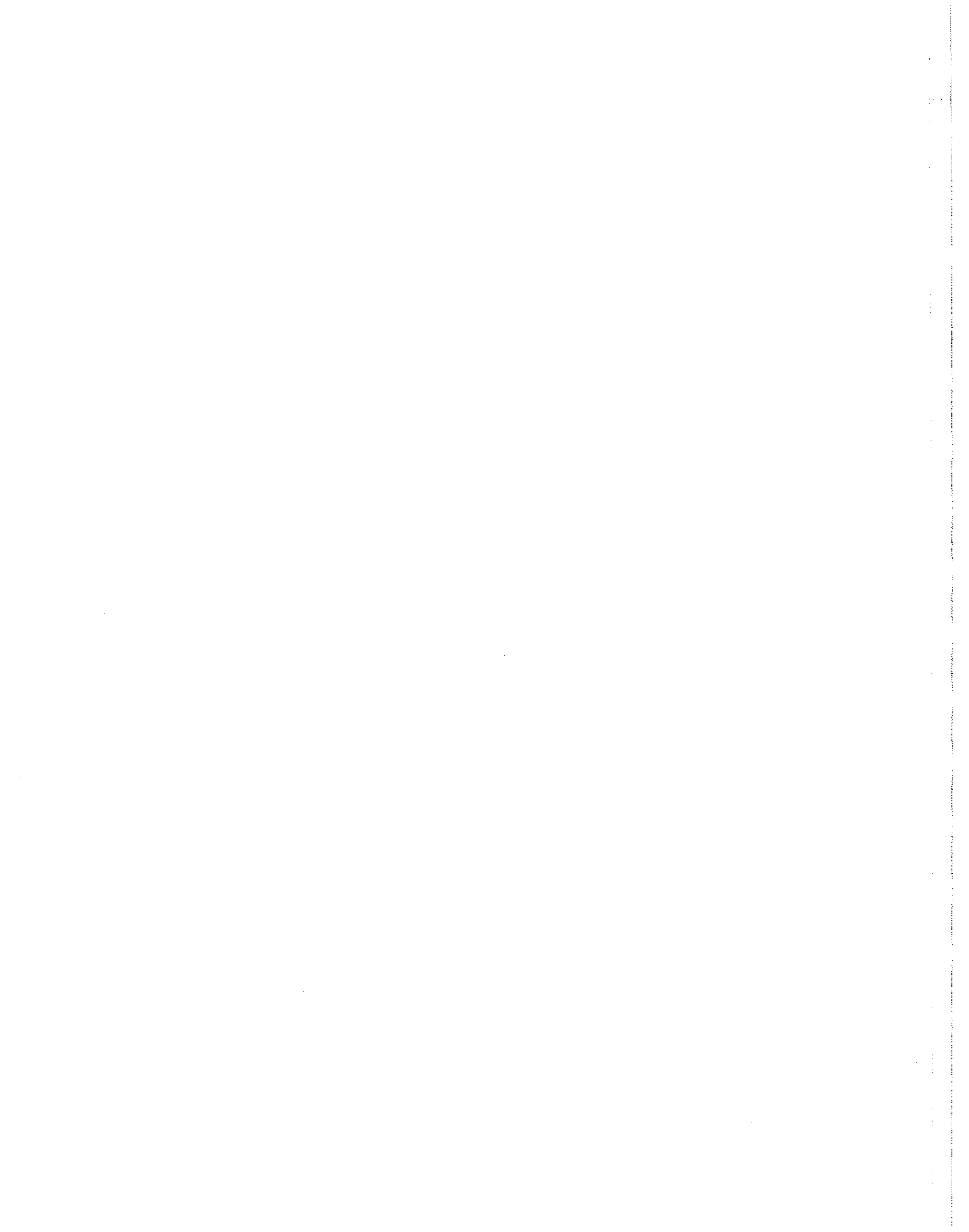
INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Bloomfield, Iowa completed the year, its governmental funds reported a combined fund balance of \$693,033, a decrease of \$90,639 below last year's total of \$783,672. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$195,179 from the prior year to \$642,474
- The Employee Benefits cash balance increased \$42,928 from the prior year to \$223,824
- The 2005 Street Project cash balance decreased \$165,204 from the prior year to a deficit balance of \$429,899.
- In total the nonmajor governmental funds cash balance decreased \$163,542

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$122,585 to \$734,976, primarily due to expenditures related to the water plant project grant matching requirement.
- The Sewer Fund cash balance increased by \$94,942 to \$262,591, due to completion of projects during the year ended June 30, 2005.
- The Electric Fund cash balance decreased by \$1,512,020 to \$836,177, due to a \$1.9 million transfer to the 2005 Street Project Fund.
- The Gas Fund cash balance decreased by \$428,681 to \$329,335 due to an increase in gas inventory at the end of the 2006 fiscal year.



BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 19, 2006 and resulted in a decrease in operating disbursements of \$538,743 as well as a decrease in operating revenues of \$871,946.

DEBT ADMINISTRATION

At June 30, 2006, the City had \$773,991 in bonds and other long-term debt, compared to \$882,692 last year, as shown below

Outstanding Debt at Year End

	Year ended June 30,	
	<u>2006</u>	<u>2005</u>
Capital leases	\$ 3,991	\$ 7,692
Revenue notes	<u>770,000</u>	<u>875,000</u>
	\$ <u>773,991</u>	\$ <u>882,692</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,991 is significantly below its constitutional debt limit of approximately \$2.5 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

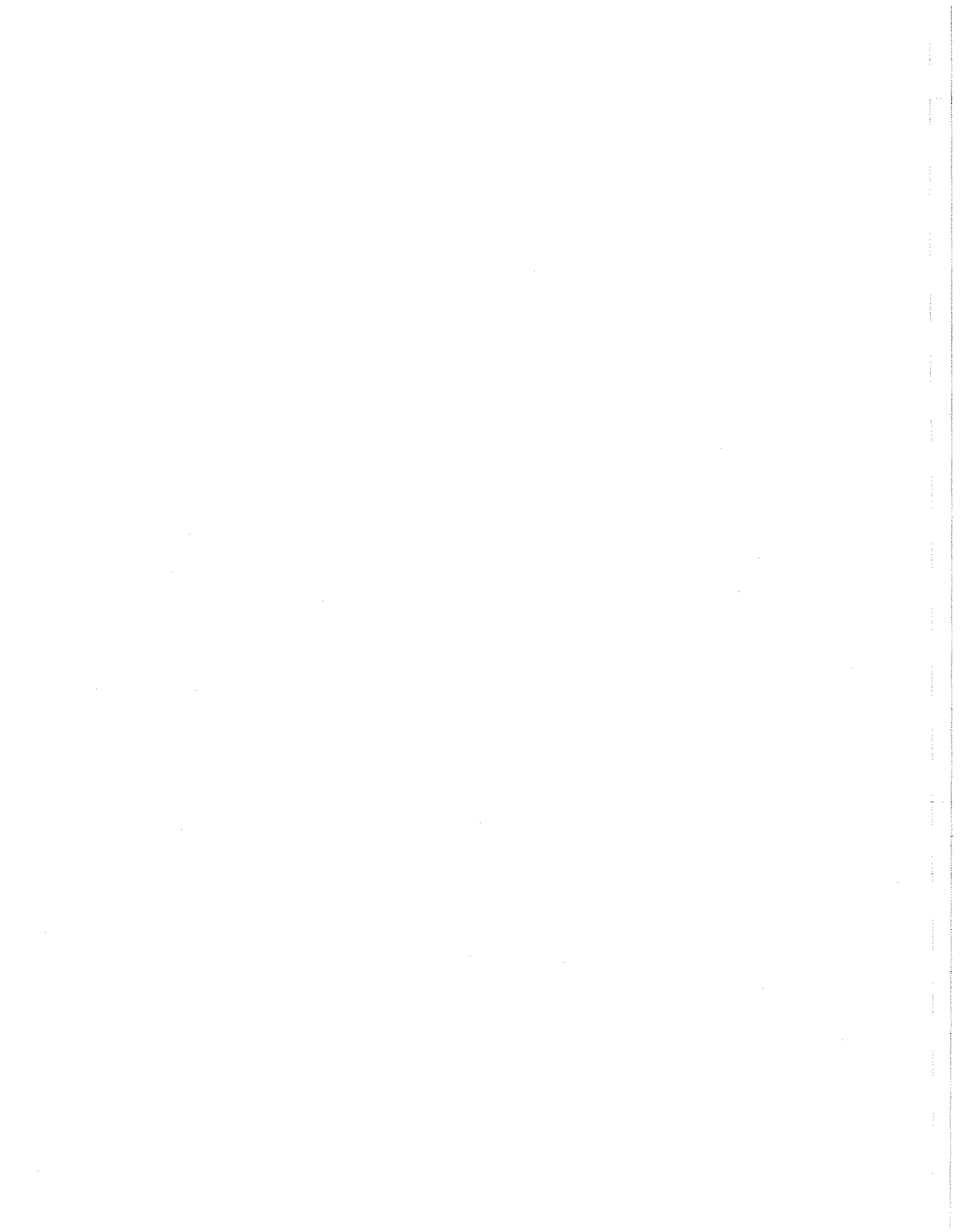
The City of Bloomfield Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates, and fees charged for various City activities.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.4 percent for fiscal year 2006 compared with the national rate of 3.9 percent. Inflation has been modest here due in part to the slowing of the residential housing market and increases in energy prices in 2006.

These indicators were taken into account when adopting the budget for fiscal year 2007. The City has a major street project planned. The City plans to self-fund the estimated \$1,993,000 project using funds from the Electric Utility Fund. Repayment to the Utility will be made from Local Option Sales Tax, Tax Increment Financing and Road Use Taxes.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carol Taylor, City Clerk, 111 West Franklin, Bloomfield, Iowa, 52537.



BASIC FINANCIAL STATEMENTS

CITY OF BLOOMFIELD, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs			Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	<u>Disbursements</u>	<u>Charges for Service</u>		
Governmental activities:				
Public safety	\$ 571,870	\$ 33,739	\$ -	\$ -
Public works	477,861	157,092	217,770	-
Culture and recreation	307,765	70,819	14,000	-
Community and economic development	95,360	-	-	198,620
General government	104,437	-	22,897	-
Capital projects	2,356,824	-	-	-
Total governmental activities	<u>3,914,117</u>	<u>261,650</u>	<u>254,667</u>	<u>198,620</u>
Business type activities:				
Water	760,808	593,058	-	18,923
Sewer	231,050	305,435	-	-
Electric	1,689,628	1,969,594	-	-
Gas	1,900,217	1,537,766	-	-
Total business type activities	<u>4,581,703</u>	<u>4,405,853</u>	<u>-</u>	<u>18,923</u>
Total	\$ <u>8,495,820</u>	\$ <u>4,667,503</u>	\$ <u>254,667</u>	\$ <u>217,543</u>
General receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<u>Cash Basis Net Assets</u>				
Restricted:				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

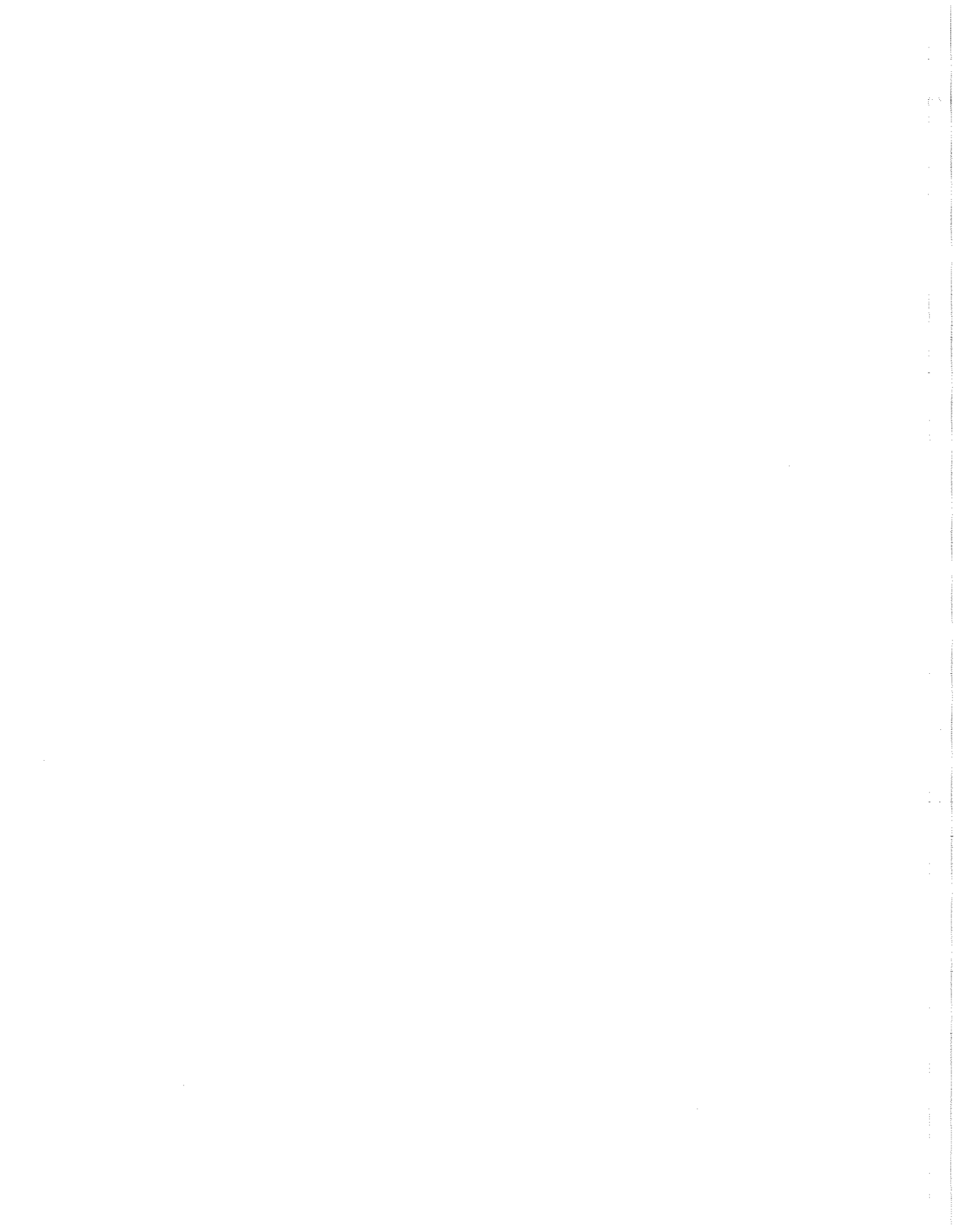
Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
\$ (538,131)	\$ -	\$ (538,131)
(102,999)	-	(102,999)
(222,946)	-	(222,946)
103,260	-	103,260
(81,540)	-	(81,540)
<u>(2,356,824)</u>	<u>-</u>	<u>(2,356,824)</u>
<u>(3,199,180)</u>	<u>-</u>	<u>(3,199,180)</u>
-	(148,827)	(148,827)
-	74,385	74,385
-	279,966	279,966
<u>-</u>	<u>(362,451)</u>	<u>(362,451)</u>
<u>-</u>	<u>(156,927)</u>	<u>(156,927)</u>
<u>(3,199,180)</u>	<u>(156,927)</u>	<u>(3,356,107)</u>
677,166	-	677,166
48,809	-	48,809
207,427	-	207,427
63,639	91,085	154,724
101,248	107,750	208,998
<u>2,010,252</u>	<u>(2,010,252)</u>	<u>-</u>
<u>3,108,541</u>	<u>(1,811,417)</u>	<u>1,297,124</u>
(90,639)	(1,968,344)	(2,058,983)
<u>783,672</u>	<u>4,131,423</u>	<u>4,915,095</u>
\$ <u>693,033</u>	\$ <u>2,163,079</u>	\$ <u>2,856,112</u>
\$ -	\$ 104,603	\$ 104,603
37,823	419,990	457,813
<u>655,210</u>	<u>1,638,486</u>	<u>2,293,696</u>
\$ <u>693,033</u>	\$ <u>2,163,079</u>	\$ <u>2,856,112</u>

CITY OF BLOOMFIELD, IOWA

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006**

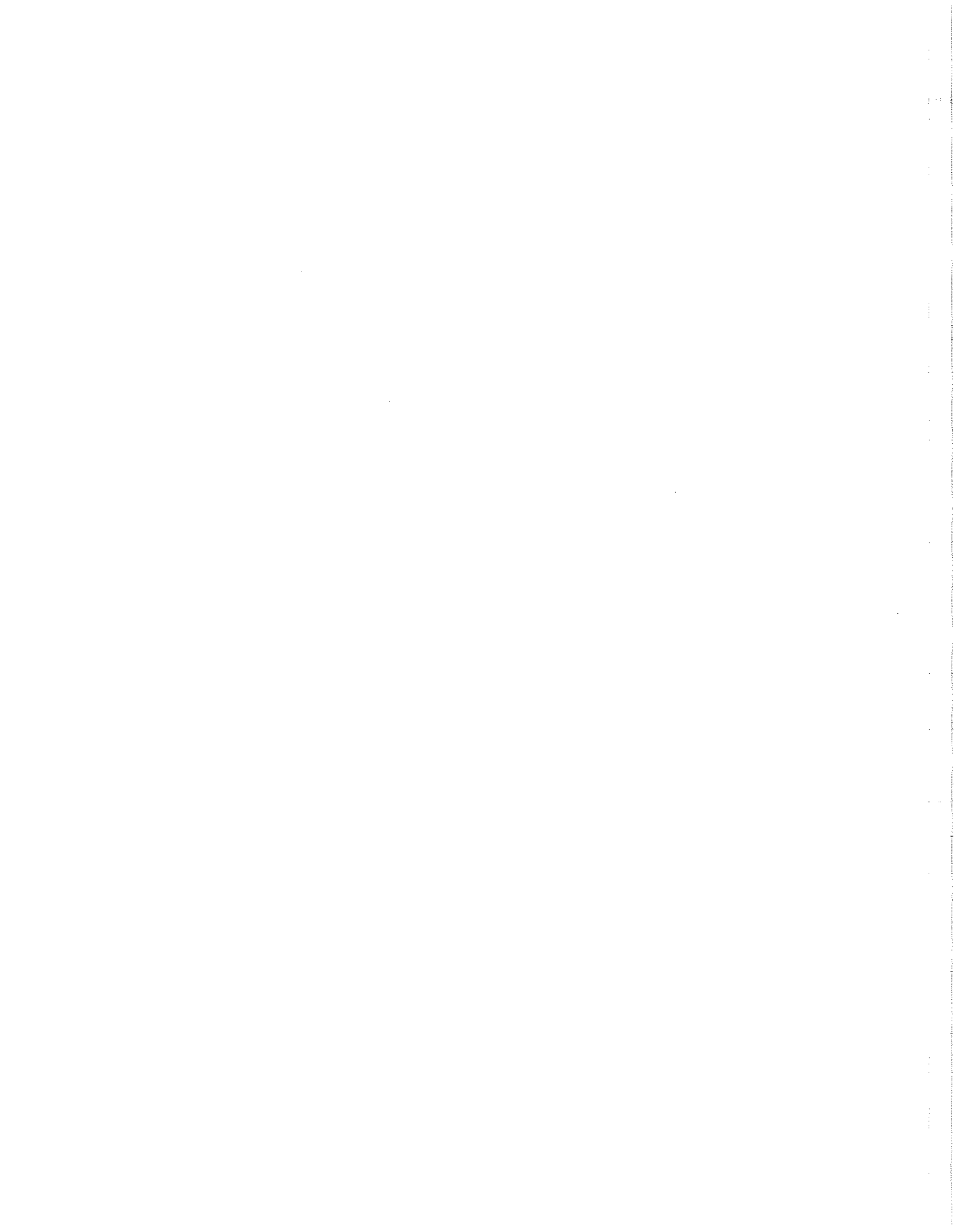
	General	Special Revenue Employee Benefits	Capital Projects 2005 Street Project	Other Non-Major Governmental Funds	Total
RECEIPTS:					
Property tax	\$ 405,970	\$ 271,196	\$ -	\$ -	\$ 677,166
Tax increment financing	-	-	-	48,809	48,809
Other City tax	42,725	-	-	164,702	207,427
Licenses and permits	37,308	-	-	-	37,308
Use of money and property	18,296	-	-	45,343	63,639
Intergovernmental	36,897	-	-	416,390	453,287
Charges for service	261,650	-	-	-	261,650
Miscellaneous	20,341	-	-	43,599	63,940
Total receipts	<u>823,187</u>	<u>271,196</u>	<u>-</u>	<u>718,843</u>	<u>1,813,226</u>
DISBURSEMENTS:					
Operating:					
Public safety	440,438	131,432	-	-	571,870
Public works	278,629	51,079	-	148,153	477,861
Culture and recreation	257,249	33,203	-	17,313	307,765
Community and economic development	77,650	-	-	17,710	95,360
General government	91,883	12,554	-	-	104,437
Capital projects	-	-	2,158,204	198,620	2,356,824
Total disbursements	<u>1,145,849</u>	<u>228,268</u>	<u>2,158,204</u>	<u>381,796</u>	<u>3,914,117</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(322,662)</u>	<u>42,928</u>	<u>(2,158,204)</u>	<u>337,047</u>	<u>(2,100,891)</u>
Other financing sources (uses):					
Operating transfers in	578,880	-	1,993,000	1,212	2,573,092
Operating transfers out	(61,039)	-	-	(501,801)	(562,840)
Total other financing sources (uses)	<u>517,841</u>	<u>-</u>	<u>1,993,000</u>	<u>(500,589)</u>	<u>2,010,252</u>
Net change in cash balances	195,179	42,928	(165,204)	(163,542)	(90,639)
CASH BALANCES - Beginning of year	<u>447,295</u>	<u>180,896</u>	<u>(264,695)</u>	<u>420,176</u>	<u>783,672</u>
CASH BALANCES - End of year	<u>\$ 642,474</u>	<u>\$ 223,824</u>	<u>\$ (429,899)</u>	<u>\$ 256,634</u>	<u>\$ 693,033</u>
Cash Basis Fund Balances					
Reserved:					
Library building	\$ -	\$ -	\$ -	\$ 37,823	\$ 37,823
Unreserved:					
General fund	642,474	-	-	-	642,474
Special revenue funds	-	223,824	-	211,621	435,445
Capital projects funds	-	-	(429,899)	(89,184)	(519,083)
Permanent funds	-	-	-	96,374	96,374
Total cash basis fund balances	<u>\$ 642,474</u>	<u>\$ 223,824</u>	<u>\$ (429,899)</u>	<u>\$ 256,634</u>	<u>\$ 693,033</u>



CITY OF BLOOMFIELD, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

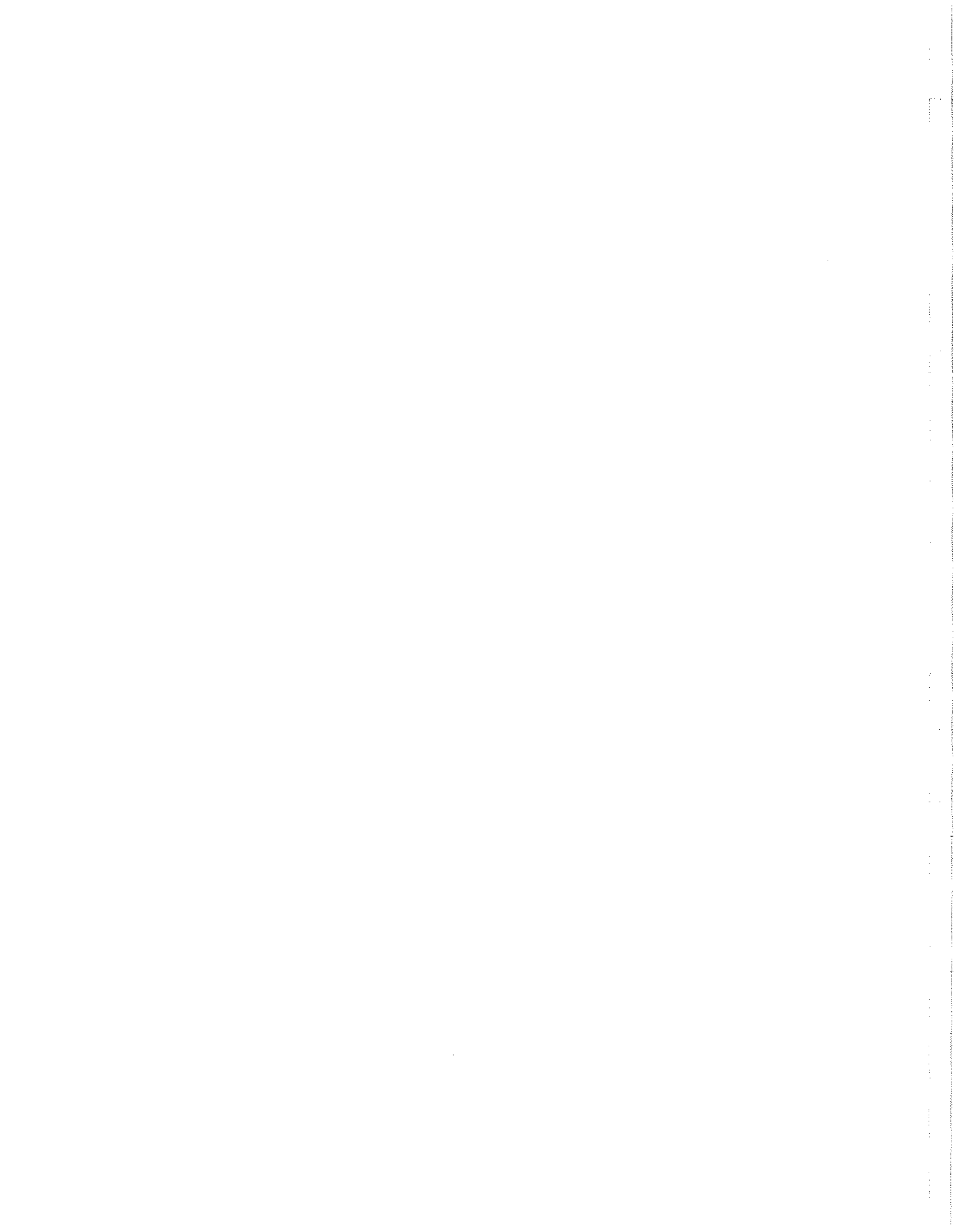
	Enterprise Funds				
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Gas</u>	<u>Total</u>
<u>Operating receipts:</u>					
Use of money and property	\$ -	\$ -	\$ 5,215	\$ -	\$ 5,215
Charges for service	<u>593,058</u>	<u>305,435</u>	<u>1,969,594</u>	<u>1,537,766</u>	<u>4,405,853</u>
Total operating receipts	<u>593,058</u>	<u>305,435</u>	<u>1,974,809</u>	<u>1,537,766</u>	<u>4,411,068</u>
<u>Operating disbursements:</u>					
Business type activities	<u>612,783</u>	<u>231,050</u>	<u>1,689,628</u>	<u>1,900,217</u>	<u>4,433,678</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(19,725)</u>	<u>74,385</u>	<u>285,181</u>	<u>(362,451)</u>	<u>(22,610)</u>
<u>Non-operating receipts (disbursements):</u>					
Intergovernmental	18,923	-	-	-	18,923
Interest on investments	19,898	26,622	11,716	27,634	85,870
Miscellaneous	16,274	3,865	80,545	7,066	107,750
Debt service	<u>(148,025)</u>	-	-	-	<u>(148,025)</u>
Total non-operating receipts (disbursements)	<u>(92,930)</u>	<u>30,487</u>	<u>92,261</u>	<u>34,700</u>	<u>64,518</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(112,655)</u>	<u>104,872</u>	<u>377,442</u>	<u>(327,751)</u>	<u>41,908</u>
<u>Transfers:</u>					
Transfers in	-	-	413,818	-	413,818
Transfers out	<u>(9,930)</u>	<u>(9,930)</u>	<u>(2,303,280)</u>	<u>(100,930)</u>	<u>(2,424,070)</u>
Net transfers	<u>(9,930)</u>	<u>(9,930)</u>	<u>(1,889,462)</u>	<u>(100,930)</u>	<u>(2,010,252)</u>
Net change in cash balances	<u>(122,585)</u>	<u>94,942</u>	<u>(1,512,020)</u>	<u>(428,681)</u>	<u>(1,968,344)</u>
<u>CASH BALANCES - Beginning of year</u>	<u>857,561</u>	<u>167,649</u>	<u>2,348,197</u>	<u>758,016</u>	<u>4,131,423</u>
<u>CASH BALANCES - End of year</u>	<u>\$ 734,976</u>	<u>\$ 262,591</u>	<u>\$ 836,177</u>	<u>\$ 329,335</u>	<u>\$ 2,163,079</u>
<u>Cash Basis Fund Balances</u>					
Reserved for:					
Debt service	\$ 104,603	\$ -	\$ -	\$ -	\$ 104,603
Reserve	169,238	-	-	-	169,238
Improvements	250,752	-	-	-	250,752
Unreserved	<u>210,383</u>	<u>262,591</u>	<u>836,177</u>	<u>329,335</u>	<u>1,638,486</u>
Total cash basis fund balances	<u>\$ 734,976</u>	<u>\$ 262,591</u>	<u>\$ 836,177</u>	<u>\$ 329,335</u>	<u>\$ 2,163,079</u>



CITY OF BLOOMFIELD, IOWA

STATEMENT OF CHANGES IN CASH BALANCES
FIDUCIARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	Private Purpose Expendable Trusts				
	Avenue of Flags	Drug Awareness Resistance Education	Library Memorial	South Cemetery	Total
<u>Additions:</u>					
Use of money and property:					
Interest on investments	\$ -	\$ 60	\$ 1,517	\$ 101	\$ 1,678
Miscellaneous:					
Donations	-	1,009	5,747	-	6,756
Total additions	-	1,069	7,264	101	8,434
<u>Deductions:</u>					
Culture and recreation:					
Commodities	-	3,068	5,420	-	8,488
Net change in cash balances	-	(1,999)	1,844	101	(54)
<u>CASH BALANCES - Beginning of year</u>	<u>47</u>	<u>3,425</u>	<u>46,028</u>	<u>10,058</u>	<u>59,558</u>
<u>CASH BALANCES - End of year</u>	<u>\$ 47</u>	<u>\$ 1,426</u>	<u>\$ 47,872</u>	<u>\$ 10,159</u>	<u>\$ 59,504</u>
<u>Cash Basis Fund Balances</u>					
Reserved for special purpose	\$ 47	\$ 1,426	\$ 47,872	\$ 10,159	\$ 59,504



CITY OF BLOOMFIELD, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bloomfield, Iowa is a political subdivision of the State of Iowa located in Davis County. It was first incorporated in 1850 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, electric and gas utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Bloomfield, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Bloomfield, Iowa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The Friends of the Bloomfield Library was established as a non-profit corporation in accordance with Chapter 504A of the Code of Iowa. The Friends of the Bloomfield Library is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although the Friends of the Bloomfield Library is legally separate from the City, its purpose is to benefit the City of Bloomfield, Iowa (the primary government) by soliciting contributions and managing those funds.

Joint Ventures

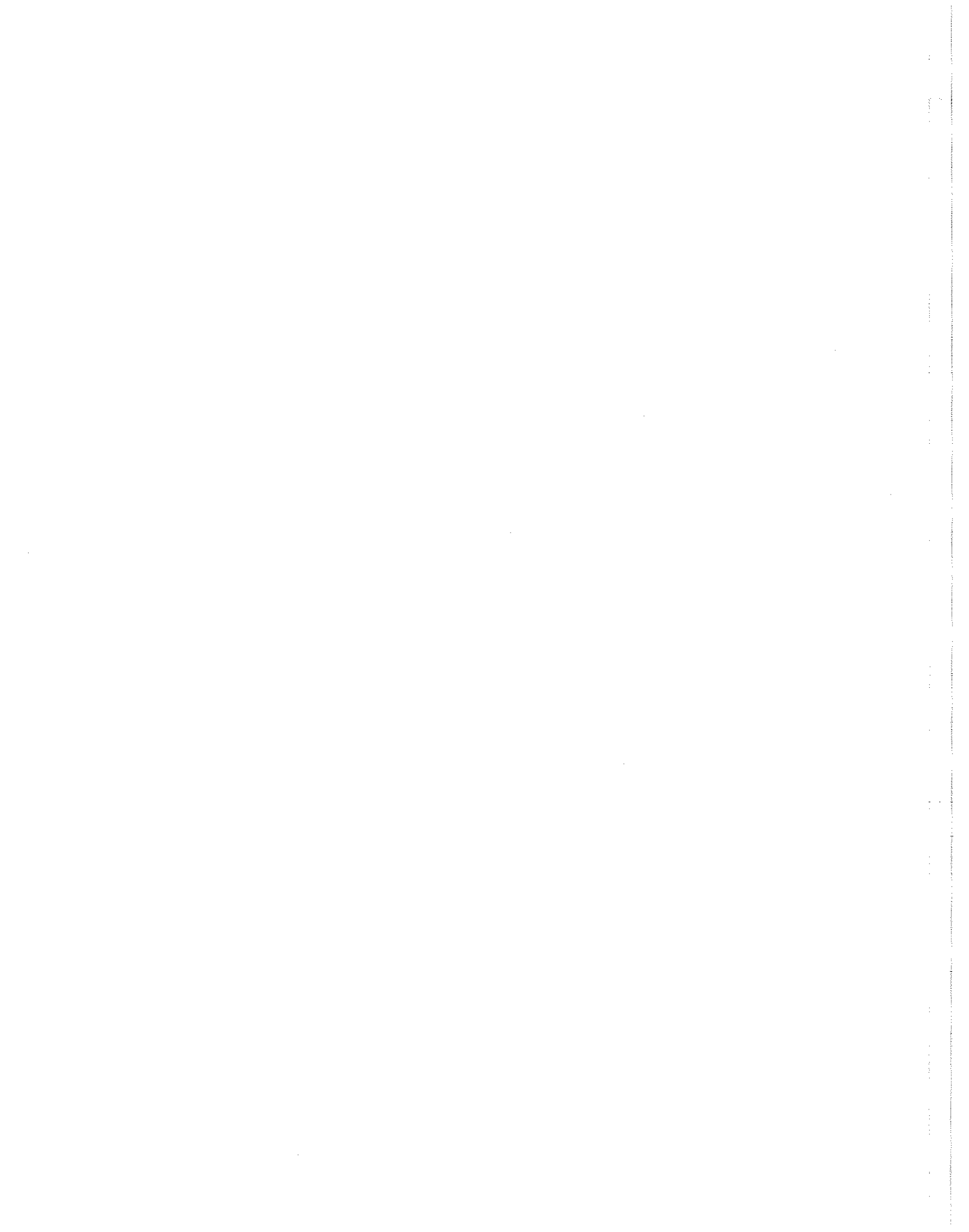
The City participates in the Mutchler Community Center Commission. The Commission was developed under a 28E agreement with Davis County for the construction, operation and maintenance of a community center.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Davis County Assessor's Conference Board, Davis County E-911 Joint Service Board and Davis County Emergency Management Commission. The City also participates in the Davis County Regional Service Agency, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets – Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.



CITY OF BLOOMFIELD, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B Basis of Presentation (Continued)

The Statement of Activities and Net Assets – Cash Basis presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets – Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue – The Employee Benefits Fund is used to account for property taxes assessed for employee benefits.

Capital Projects – The 2005 Street Project is a capital projects fund used to account for grant funds received for the construction and repair of numerous street projects.

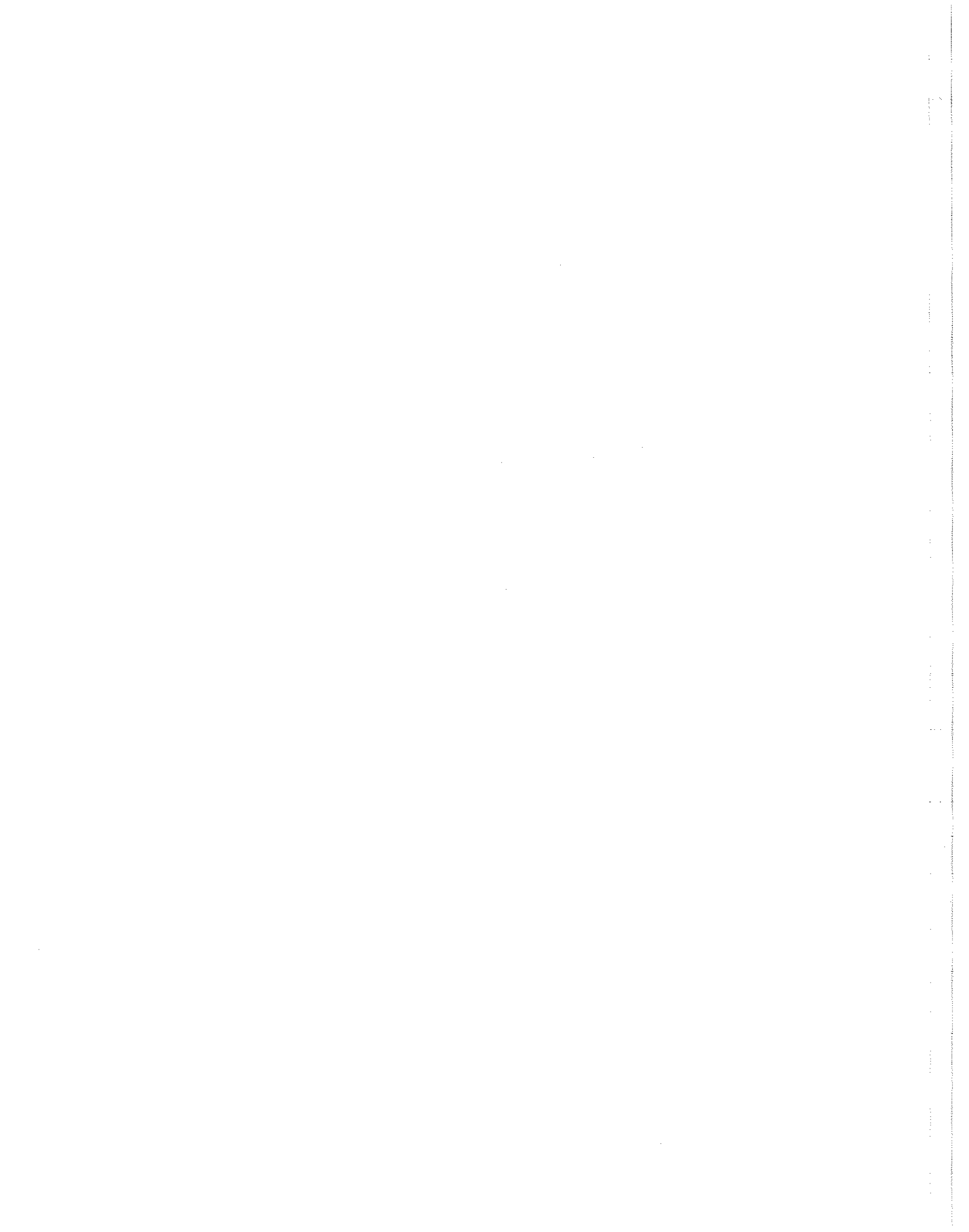
The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Electric Fund accounts for the operation and maintenance of the City's electric distribution system.

The Gas Fund accounts for the operation and maintenance of the City's gas distribution system.



CITY OF BLOOMFIELD, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

The City of Bloomfield, Iowa maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

The proprietary fund of the City applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the business type activities function.

NOTE 2: CASH AND POOLED INVESTMENTS

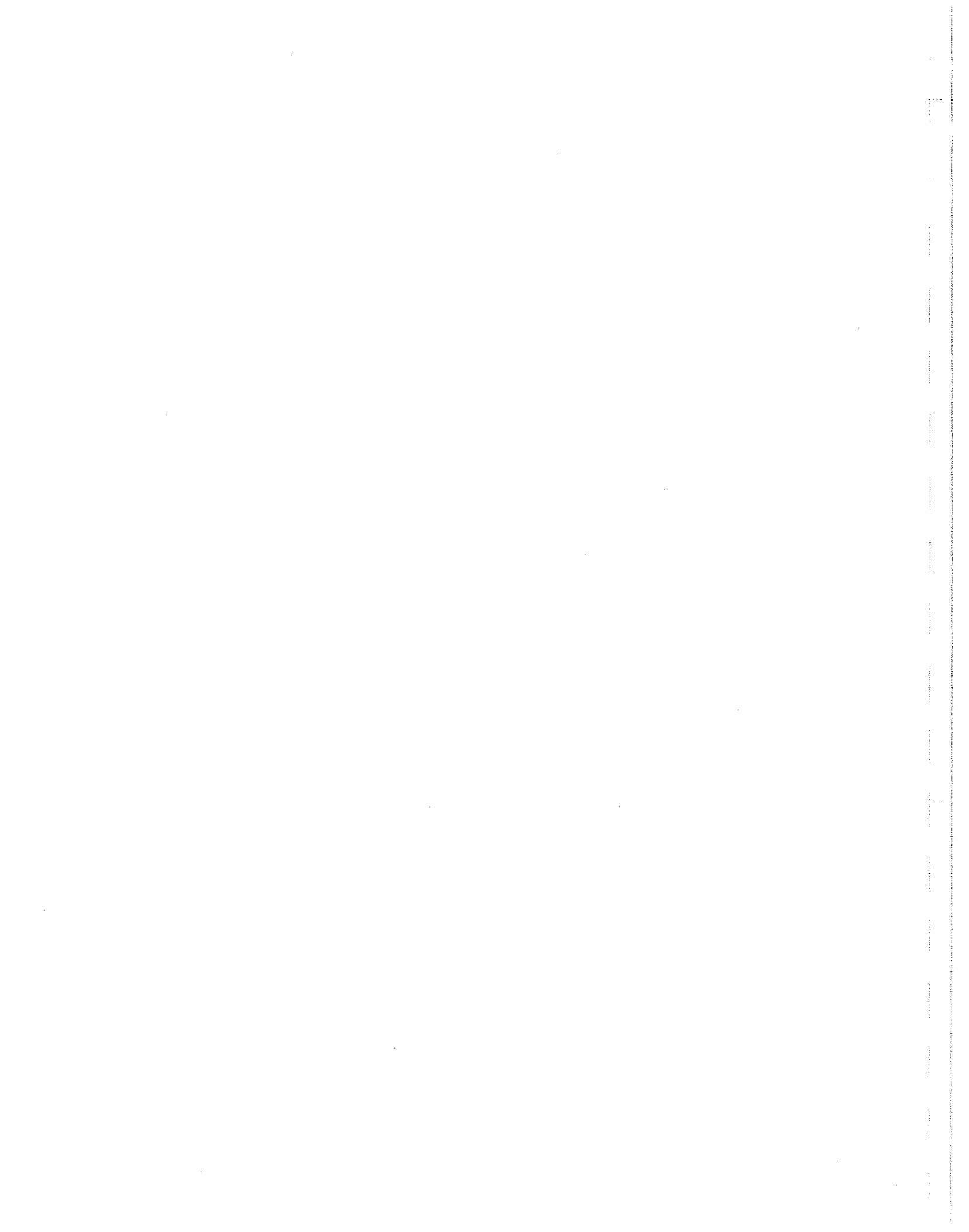
The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the City held publicly traded stock with a fair value of \$130,882. Subsequent to the year ended June 30, 2006, the City sold its stock investments.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk – The City's investment in stock is subject to current market conditions.



CITY OF BLOOMFIELD, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 3: NOTES PAYABLE AND LEASE PURCHASE AGREEMENT

Annual debt service requirements to maturity for revenue notes are as follows:

Year Ending June 30,	<u>Revenue Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 115,000	\$ 38,142
2008	120,000	32,738
2009	125,000	26,977
2010	130,000	20,853
2011	135,000	14,352
2012	145,000	7,467
Total	\$ 770,000	\$ 140,529

The resolutions providing for the issuance of the revenue notes include the following provisions.

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to a water revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due
- c. An amount equal to 25% of the monthly transfer to the sinking account shall be made to a water reserve account until a specified amount is accumulated and maintained. The water reserve account is required to accumulate the lesser of ten percent of the stated principal amount of the notes, the maximum annual principal and interest coming due on the notes, or 125% of the average annual principal and interest coming due on the notes. At June 30, 2006 the allowable reserve fund amount is computed to be \$126,500.
- d. Additional monthly transfers of \$4,000 to a water improvements account shall be made until a minimum balance of \$400,000 is accumulated. This account is restricted for the purpose of paying for any deficiencies in the revenue note sinking account, then for capital improvements, renewals and replacements and extraordinary repairs.

The City has established the sinking, reserve and improvements accounts required by the note resolution and has complied with the related provisions.

Lease Purchase Agreement

In June, 2004, the City entered into a lease-purchase agreement to purchase a computer network. The total cost was \$11,125 with 36 monthly lease payments of \$346, and an imputed interest rate of 7.55%. The following is a schedule of the future minimum lease payments, interest and the present value of net minimum lease payments under agreements in effect at June 30, 2006

<u>Year Ending June 30,</u>	<u>Minimum Lease Payments</u>	<u>Less Amount Representing Interest</u>	<u>Present Value of Net Minimum Lease Payments</u>
2007	\$ <u>4,156</u>	\$ <u>165</u>	\$ <u>3,991</u>

CITY OF BLOOMFIELD, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 4: PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$59,023, \$58,098 and \$60,727, respectively, equal to the required contributions for each year.

NOTE 5: COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time and sick leave payments payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 28,294
Compensatory time	20,054
Sick leave	<u>55,952</u>
Total	\$ <u>104,300</u>

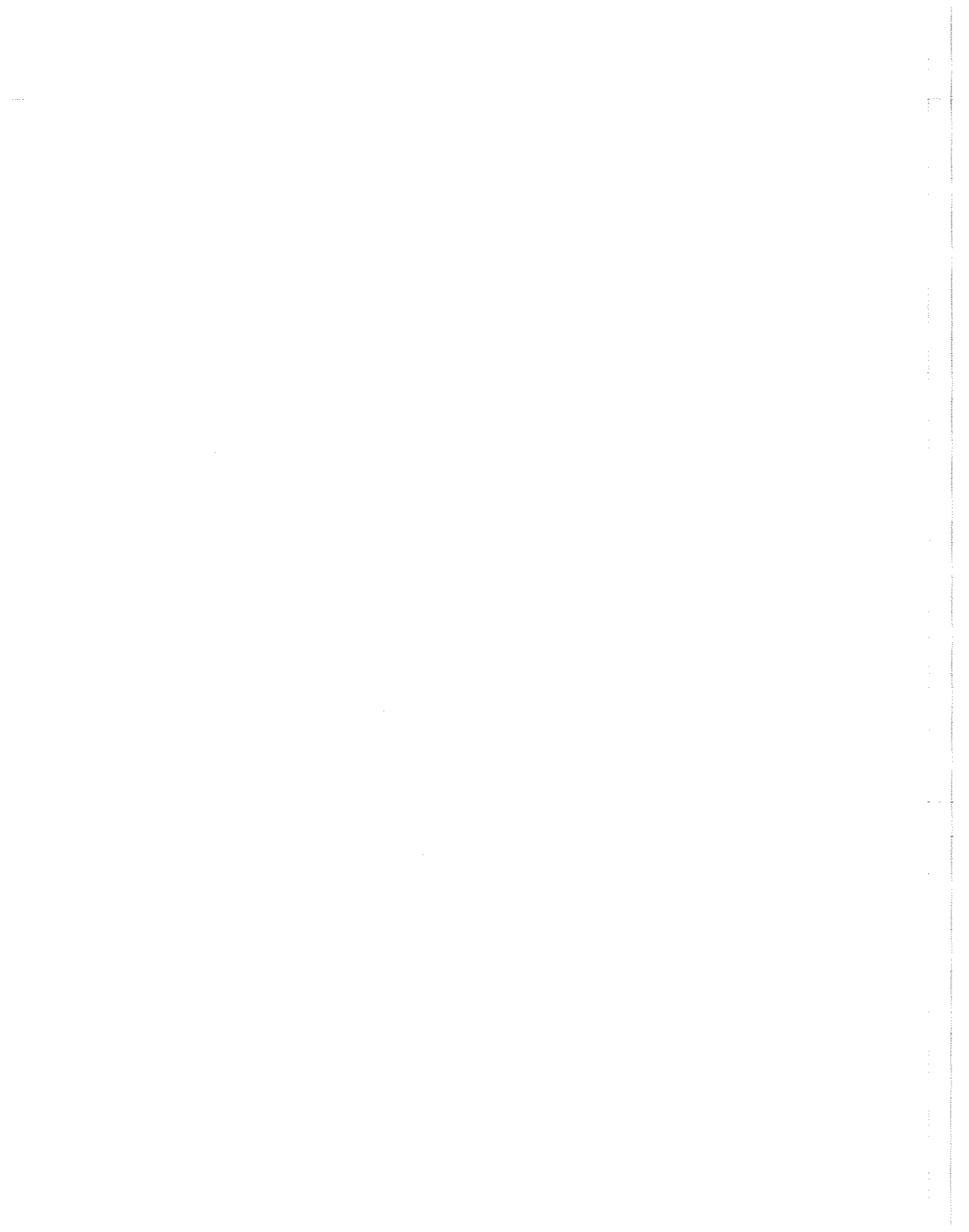
Sick leave is payable when used or, after an employment period of at least ten (10) years, upon termination, retirement or death.

This liability has been computed based on rates of pay in effect at June 30, 2006.

NOTE 6: INDUSTRIAL DEVELOPMENT LOAN AND REBATE AGREEMENT

On May 11, 1992, the City entered into a loan agreement, under the provisions of Chapter 403 of the Code of Iowa, with Chevron Chemical Company totaling \$425,000 to provide funds for the purpose of defraying a portion of the costs of carrying out an urban renewal development project of the City. The loan principal plus interest thereon at the rate of 8.50% per annum were payable solely from tax increment financing property tax collections.

On June 19, 2000, the City and Chevron Chemical Company amended the original agreement whereby the City is no longer required to repay the \$425,000. The City agreed to rebate incremental taxes paid by the developer in exchange for infrastructure improvements constructed by the developer as set forth in the amendment, with the condition that the company maintains a specified level of full-time equivalent positions for the term of the agreement. The incremental taxes that otherwise would have been received by the City under Chapter 403.19 of the Code of Iowa from the developer are to be rebated for a period of nine years beginning May 1, 2001. During the current year, the City rebated taxes totaling \$12,711 to Chevron Chemical Company.



CITY OF BLOOMFIELD, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 7: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 147,810
	Enterprise:	
	Water	9,930
	Sewer	9,930
	Electric	310,280
	Gas	100,930
		<u>578,880</u>
Capital Project:	Enterprise:	
2005 Street Project	Electric	<u>1,993,000</u>
Special Revenue:		
Local Housing Assistance Program	General	<u>1,212</u>
Enterprise:	General	59,827
Electric	Debt Service:	
	General Obligation Bonds	1,838
	Tax Increment Financing	
	Debt Service	61,153
	Special Revenue:	
	Local Option Sales Tax	230,000
	Road Use Tax	45,000
	Other Tax Increment	
	Financing	<u>16,000</u>
		<u>413,818</u>
		\$ <u>2,986,910</u>

NOTE 8: RISK MANAGEMENT

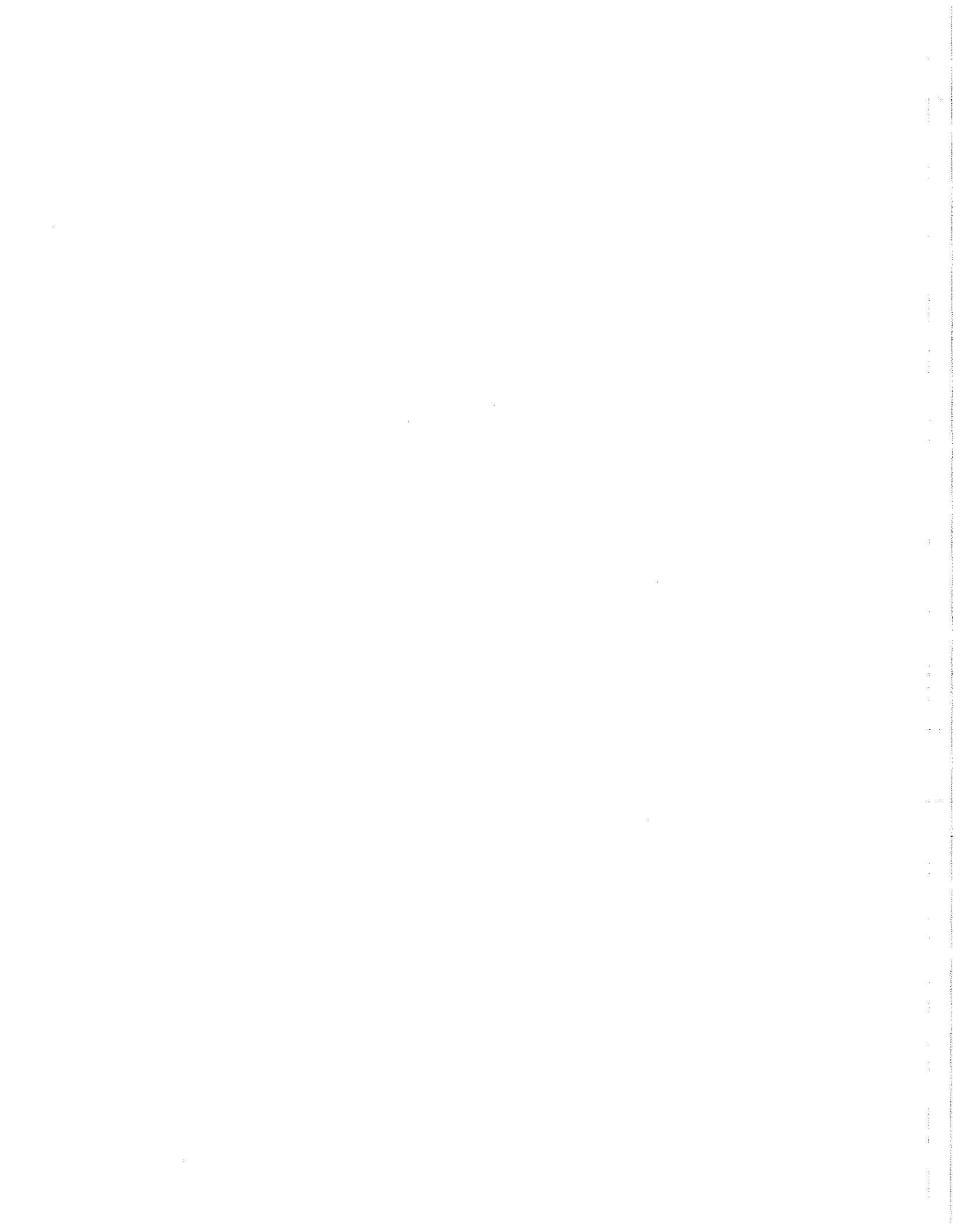
The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9: DEFICIT BALANCES

The Capital Projects Fund, ABCM Corporation Economic Development had a deficit balance of \$86,434 at June 30, 2006. The deficit is the result of an economic development loan made to ABCM Corporation for construction of an assisted and independent living facility. This deficit will be eliminated through annual installments paid to the City by ABCM Corporation. In addition, the 2005 Street Project, the Childcare Facility, and the Fire Station funds had deficit balances of \$429,899, \$2,395 and \$10,355, respectively. These deficits will be eliminated through general fund transfers.

NOTE 10: ECONOMIC DEVELOPMENT LOANS

On April 1, 2001, the City of Bloomfield, Iowa loaned \$300,000 to a local business to construct and equip an assisted and independent living facility to be located in the City. The loan bears interest at 7% and is to be repaid to the City in annual installments of \$42,713 including interest, from April 1, 2001 through April 1, 2011. The loan has a balance of \$175,133 at June 30, 2006.



CITY OF BLOOMFIELD, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 11: HEALTH INSURANCE

The City has a group insurance policy which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. The City's group insurance is a partial self-funded health plan. Under the partial self-funded plan, the City will reimburse an eligible employee for half of the deductible as well as half of out-of-pocket expenses. The amount of the deductibles and out-of-pocket expenses for employees are as follows:

	<u>Deductible</u>	
	<u>Single</u>	<u>Family</u>
Employee	\$ 500	\$ 1,000

	<u>Out-of-Pocket</u>	
	<u>Single</u>	<u>Family</u>
Employee	\$ 500	\$ 1,000

The policy period is from January 1 to December 31. For the policy period the City has a maximum liability commitment of \$28,500. As of June 30, 2006 there is a remaining maximum liability commitment of \$16,012.

NOTE 12: CONSTRUCTION COMMITMENTS

During the year ended June 30, 2006, the City approved various construction contracts totaling \$1,191,632 and had construction contracts of \$2,196,903 carrying over from the prior year. Payments of \$2,433,394 were made on the contracts for work completed during the year ended June 30, 2006. As of June 30, 2006 the City had remaining construction commitments of \$1,021,859 with payments on the contracts to be made as the work is completed.

NOTE 13: RECLASSIFICATIONS

Certain amounts as of June 30, 2005 have been reclassified to conform with the June 30, 2006 presentation.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BLOOMFIELD, IOWA

**BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006**

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds not Required to be Budgeted
<u>RECEIPTS:</u>			
Property tax	\$ 677,166	\$ -	\$ -
Tax increment financing	48,809	-	-
Other City tax	207,427	-	-
License and permits	37,308	-	-
Use of money and property	63,639	91,085	-
Intergovernmental	453,287	18,923	-
Charges for service	261,650	4,405,853	-
Miscellaneous	<u>63,940</u>	<u>107,750</u>	<u>29,136</u>
Total receipts	<u>1,813,226</u>	<u>4,623,611</u>	<u>29,136</u>
<u>DISBURSEMENTS:</u>			
Public safety	571,870	-	-
Public works	477,861	-	-
Culture and recreation	307,765	-	-
Community and economic development	95,360	-	17,313
General government	104,437	-	-
Capital projects	2,356,824	-	-
Business type activities	<u>-</u>	<u>4,581,703</u>	<u>-</u>
Total disbursements	<u>3,914,117</u>	<u>4,581,703</u>	<u>17,313</u>
Excess (deficiency) of receipts over (under) disbursements	(2,100,891)	41,908	11,823
Other financing sources (uses), net	<u>2,010,252</u>	<u>(2,010,252)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(90,639)	(1,968,344)	11,823
<u>BALANCES - Beginning of year</u>	<u>783,672</u>	<u>4,131,423</u>	<u>46,606</u>
<u>BALANCES - End of year</u>	\$ <u>693,033</u>	\$ <u>2,163,079</u>	\$ <u>58,429</u>

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 677,166	\$ 713,538	\$ 713,538	\$ (36,372)
48,809	14,600	39,600	9,209
207,427	108,222	150,000	57,427
37,308	21,600	28,700	8,608
154,724	98,755	114,090	40,634
472,210	1,441,285	480,056	(7,846)
4,667,503	4,391,290	4,389,510	277,993
142,554	44,600	46,450	96,104
<u>6,407,701</u>	<u>6,833,890</u>	<u>5,961,944</u>	<u>445,757</u>
571,870	693,525	596,407	24,537
477,861	544,510	544,510	66,649
307,765	333,425	343,825	36,060
78,047	907,310	295,930	217,883
104,437	113,820	116,020	11,583
2,356,824	2,904,000	2,582,000	225,176
4,581,703	4,028,885	4,508,040	(73,663)
<u>8,478,507</u>	<u>9,525,475</u>	<u>8,986,732</u>	<u>508,225</u>
(2,070,806)	(2,691,585)	(3,024,788)	953,982
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(2,070,806)	(2,691,585)	(3,024,788)	953,982
<u>4,868,489</u>	<u>5,479,382</u>	<u>4,915,095</u>	<u>(46,606)</u>
\$ <u>2,797,683</u>	\$ <u>2,787,797</u>	\$ <u>1,890,307</u>	\$ <u>907,376</u>

CITY OF BLOOMFIELD, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

JUNE 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Funds and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$538,743. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the business type activities function.

OTHER SUPPLEMENTARY INFORMATION

CITY OF BLOOMFIELD, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue					
	Road Use Tax	Local Option Sales Tax	Chevron Tax Increment Financing	Other Tax Increment Financing	Friends of the Bloomfield Library	Local Housing Assistance Program
RECEIPTS:						
Tax increment financing	\$ -	\$ -	\$ 12,710	\$ 36,099	\$ -	\$ -
Other City tax	-	164,702	-	-	-	-
Use of money and property	-	-	-	-	-	-
Intergovernmental	217,770	-	-	-	-	-
Miscellaneous	-	-	-	-	29,136	-
Total receipts	<u>217,770</u>	<u>164,702</u>	<u>12,710</u>	<u>36,099</u>	<u>29,136</u>	<u>-</u>
DISBURSEMENTS:						
Operating:						
Public works	148,153	-	-	-	-	-
Culture and recreation	-	-	-	-	17,313	-
Community and economic development	-	-	12,710	-	-	5,000
Capital projects	-	-	-	-	-	-
Total disbursements	<u>148,153</u>	<u>-</u>	<u>12,710</u>	<u>-</u>	<u>17,313</u>	<u>5,000</u>
Excess (deficiency) of receipts over (under) disbursements	<u>69,617</u>	<u>164,702</u>	<u>-</u>	<u>36,099</u>	<u>11,823</u>	<u>(5,000)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	1,212
Transfers out	(45,000)	(377,810)	-	(16,000)	-	-
Total other financing sources (uses)	<u>(45,000)</u>	<u>(377,810)</u>	<u>-</u>	<u>(16,000)</u>	<u>-</u>	<u>1,212</u>
Net change in cash balances	24,617	(213,108)	-	20,099	11,823	(3,788)
CASH BALANCES - Beginning of year	<u>98,235</u>	<u>262,934</u>	<u>-</u>	<u>(4,508)</u>	<u>46,606</u>	<u>6,534</u>
CASH BALANCES - End of year	<u>\$ 122,852</u>	<u>\$ 49,826</u>	<u>\$ -</u>	<u>\$ 15,591</u>	<u>\$ 58,429</u>	<u>\$ 2,746</u>
Cash Basis Fund Balances						
Reserved:						
Library building	\$ -	\$ -	\$ -	\$ -	\$ 37,823	\$ -
Unreserved:						
Special revenue funds	122,852	49,826	-	15,591	20,606	2,746
Capital project funds	-	-	-	-	-	-
Permanent funds	-	-	-	-	-	-
	<u>\$ 122,852</u>	<u>\$ 49,826</u>	<u>\$ -</u>	<u>\$ 15,591</u>	<u>\$ 58,429</u>	<u>\$ 2,746</u>

SCHEDULE 1

Debt Service		Capital Projects				Permanent		Total
General Obligation Bonds	Tax Increment Financing Debt Service	Childcare Facility	Mainstreet	ABCM Corporation Economic Development	Fire Station	IOOF Cemetery Perpetual Care	Library Bequest	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,809
-	-	-	-	-	-	-	-	164,702
-	-	-	-	42,713	-	2,576	54	45,343
-	-	198,620	-	-	-	-	-	416,390
-	-	-	10,000	-	-	4,463	-	43,599
-	-	198,620	10,000	42,713	-	7,039	54	718,843
-	-	-	-	-	-	-	-	148,153
-	-	-	-	-	-	-	-	17,313
-	-	-	-	-	-	-	-	17,710
-	-	198,620	-	-	-	-	-	198,620
-	-	198,620	-	-	-	-	-	381,796
-	-	-	10,000	42,713	-	7,039	54	337,047
-	-	-	-	-	-	-	-	1,212
(1,838)	(61,153)	-	-	-	-	-	-	(501,801)
(1,838)	(61,153)	-	-	-	-	-	-	(500,589)
(1,838)	(61,153)	-	10,000	42,713	-	7,039	54	(163,542)
1,838	61,153	(2,395)	-	(129,147)	(10,355)	84,095	5,186	420,176
\$ -	\$ -	\$ (2,395)	\$ 10,000	\$ (86,434)	\$ (10,355)	\$ 91,134	\$ 5,240	\$ 256,634
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,823
-	-	-	-	-	-	-	-	211,621
-	-	(2,395)	10,000	(86,434)	(10,355)	-	-	(89,184)
-	-	-	-	-	-	91,134	5,240	96,374
\$ -	\$ -	\$ (2,395)	\$ 10,000	\$ (86,434)	\$ (10,355)	\$ 91,134	\$ 5,240	\$ 256,634

CITY OF BLOOMFIELD, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2006

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Revenue notes:			
Water revenue refunding capital loan notes	May 1, 2001	4.25 - 5 15%	\$ <u>1,265,000</u>
Lease purchase agreement:			
Computer network equipment	June 30, 2004	7 55%	\$ <u>11,125</u>

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed/ Cancelled During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ <u>875,000</u>	\$ <u>-</u>	\$ <u>105,000</u>	\$ <u>770,000</u>	\$ <u>43,025</u>	\$ <u>-</u>
\$ <u>7,692</u>	\$ <u>-</u>	\$ <u>3,701</u>	\$ <u>3,991</u>	\$ <u>454</u>	\$ <u>-</u>

CITY OF BLOOMFIELD, IOWA

SCHEDULE 3

NOTE MATURITIES
JUNE 30, 2006

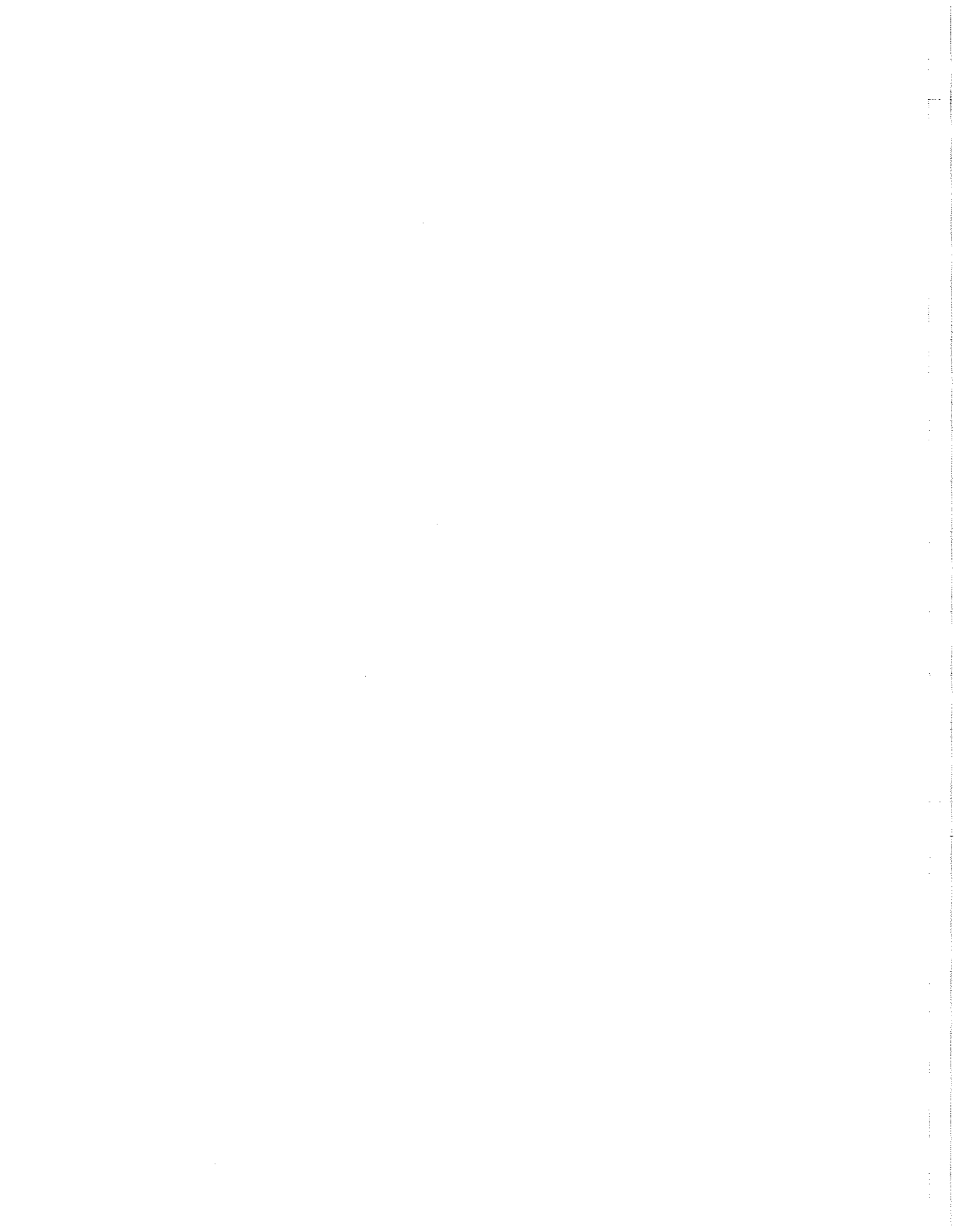
<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Revenue Notes</u>	
	<u>Water</u>	
	<u>Issued May 1, 2001</u>	
	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
2007	4.70 %	\$ 115,000
2008	4.80	120,000
2009	4.90	125,000
2010	5.00	130,000
2011	5.10	135,000
2012	5.15	<u>145,000</u>
Total		\$ <u>770,000</u>

CITY OF BLOOMFIELD, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS

FOR THE LAST FIVE YEARS

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
RECEIPTS:					
Property tax	\$ 677,166	\$ 700,028	\$ 687,854	\$ 601,513	\$ 576,651
Tax increment financing	48,809	72,923	128,446	123,729	104,117
Other City tax	207,427	202,659	120,634	17,100	15,528
Licenses and permits	37,308	5,715	4,677	5,935	4,921
Use of money and property	63,639	54,844	55,716	56,231	65,499
Intergovernmental	453,287	847,035	465,412	435,292	320,761
Charges for service	261,650	266,904	240,094	240,822	234,057
Miscellaneous	63,940	50,232	79,656	193,619	110,869
Total	\$ <u>1,813,226</u>	\$ <u>2,200,340</u>	\$ <u>1,782,489</u>	\$ <u>1,674,241</u>	\$ <u>1,432,403</u>
DISBURSEMENTS:					
Operating:					
Public safety	\$ 571,870	\$ 535,694	\$ 545,478	\$ 565,348	\$ 531,660
Public works	477,861	520,585	737,083	467,857	514,263
Culture and recreation	307,765	262,042	268,797	327,575	270,927
Community and economic development	95,360	471,511	176,650	394,594	111,106
General government	104,437	104,241	117,787	115,138	124,218
Debt service	-	-	258,414	55,846	58,712
Capital projects	2,356,824	819,655	-	-	182,799
Total	\$ <u>3,914,117</u>	\$ <u>2,713,728</u>	\$ <u>2,104,209</u>	\$ <u>1,926,358</u>	\$ <u>1,793,685</u>





ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge"

Kenneth E. Crosser, CPA
April D. Hammack, CPA
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bloomfield, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 24, 2006. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Bloomfield, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Bloomfield, Iowa's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-C-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bloomfield, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

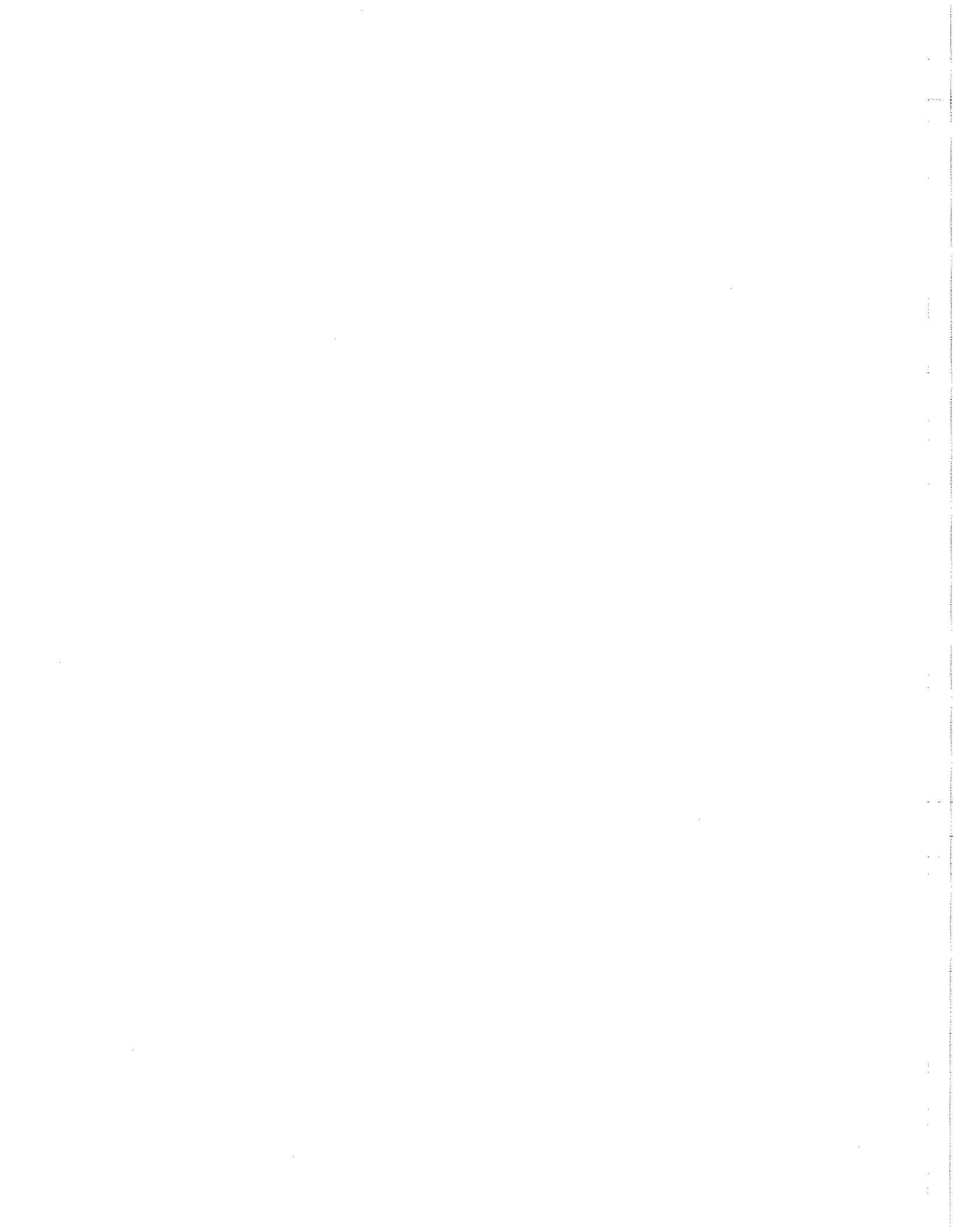
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Bloomfield, Iowa and other parties to whom the City of Bloomfield, Iowa may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Bloomfield, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
October 24, 2006



CITY OF BLOOMFIELD, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Summary of the Independent Auditor's Results

- a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U S generally accepted accounting principles.
- b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

II-A-06 Accounting Policies and Procedures Manual – The City does not have a current accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits

- 1. Aid in training additional or replacement personnel and act as a quick reference to staff members and officials.
- 2. Increased effectiveness and efficiency in your organization by streamlining accounting operations and achieving uniformity in accounting.
- 3. Helps preserve the key elements in the government's internal control structure

Response – The City Clerk and office staff will work on preparing an accounting policies and procedures manual.

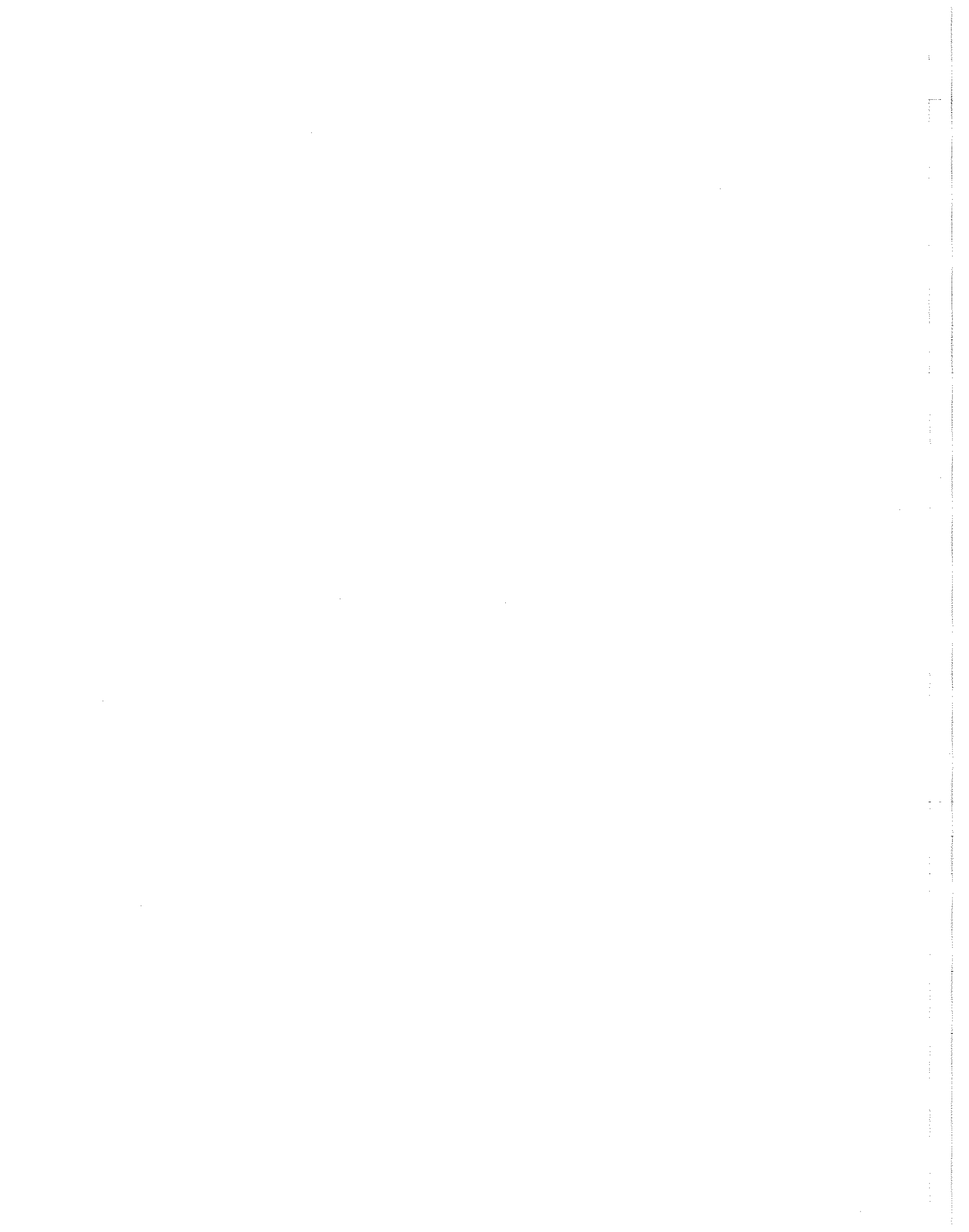
Conclusion – Response accepted.

II-B-06 Job Descriptions and Standard Hiring Practices – The City does not maintain written job descriptions for all positions, and standard hiring procedures were not followed for all employees hired during the year.

Recommendation – The City should develop written job descriptions to aid in training additional or replacement personnel and act as a quick reference to staff members and officials. Additionally all required forms and applications should be completed by all new employees. The completed forms should be maintained by the City Clerk's office.

Response – The City Clerk and office staff will work on developing written job descriptions and new employee files will be reviewed for appropriate documentation before the employee's first payroll is processed.

Conclusion – Response accepted.



CITY OF BLOOMFIELD, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Findings Related to the Financial Statements (Continued)

- II-C-06 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash is received and recorded by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Part III: Other Findings Related to Required Statutory Reporting:

- IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in business type activities function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under annual or continuing appropriation.

Recommendation - The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

- IV-B-06 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- IV-C-06 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- IV-D-06 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
David Thordarson, Council Member Karr Street Automotive, Owner	Maintenance of City Vehicles	\$ 7,327
Craig Scott, Council Member	Maintenance at Bloomfield Fire Department	\$ 1,574

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with Karr Street Automotive do not appear to represent conflicts of interest since they were entered into through competitive bidding. However, the transactions with Craig Scott may represent a conflict of interest because they were not entered into through competitive bidding, and the total paid was over \$1,500.

CITY OF BLOOMFIELD, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part III: Other Findings Related to Required Statutory Reporting: (Continued)

IV-D-06 Business Transactions (Continued)

Recommendation – All business transactions between the City and City officials or employees should go through the competitive bidding process

Response – All business transactions with City officials or employees over \$1,500 will go through the competitive bidding process as required by the Code of Iowa

Conclusion – Response accepted.

IV-E-06 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-06 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not

IV-G-06 Deposits and Investments – Except as follows, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investments policy were noted. The City has funds on deposit at a credit union which have not been secured by a letter of credit in an amount of at least 110 percent of the uninsured amount.

Recommendation – An updated letter of credit should be obtained from the credit union and reviewed periodically to ensure compliance.

Response – We will obtain an updated letter and will monitor this in the future.

Conclusion – Response accepted.

The City is required to adopt an investment policy which complies with Chapter 12B 10B of the Code of Iowa. At June 30, 2006, the City held stock in a publicly traded company which is not authorized under the Code of Iowa, or the City's investment policy.

Recommendation – The City should sell the unauthorized holdings and invest the funds in an investment that is authorized under the City's investment policy and the Code of Iowa

Response – The stock was sold in July 2006.

Conclusion – Response accepted.

IV-H-06 Financial Condition – The following funds had deficit balances at June 30, 2006: ABCM Corporation Economic Development, 2005 Street Project, Fire Station, and Childcare Facility.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return the accounts to a sound financial position.

Response – We will review our budgeting and financial management procedures. The deficit in the ABCM Corporation Economic Development Fund will be eliminated through annual installments paid to the City by ABCM Corporation, and the remaining deficits will be eliminated with General Fund transfers

Conclusion – Response acknowledged.

